



January 27, 2006

## SENATE BILL No. 365

DIGEST OF SB 365 (Updated January 26, 2006 12:14 pm - DI 44)

**Citations Affected:** IC 5-10; IC 5-10.3.

**Synopsis:** State employee retirement health benefits. Provides for group health insurance coverage for a state employee who retires under the rule of 85 after June 30, 2006, and before July 1, 2012. Specifies that the plan is not available to retired state police and other officers who are eligible for retirement health benefits. Provides that a retired state employee's spouse who is eligible for group health insurance from an employer is not eligible for coverage under the bill. Requires a retired state employee to pay 150% of the premium for an active employee. Specifies that the state may design a program under which employee and employer contributions are made to a health care account.

**Effective:** July 1, 2006.

**Kenley, Hume, Simpson, Craycraft**

January 11, 2006, read first time and referred to Committee on Appropriations.  
January 26, 2006, amended, reported favorably — Do Pass.

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SB 365—LS 7109/DI 97+



January 27, 2006

Second Regular Session 114th General Assembly (2006)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2005 Regular Session of the General Assembly.

## SENATE BILL No. 365

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 5-10-8-8.5 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2006]: **Sec. 8.5. (a) As used in this section, "retired state**  
4 **employee" refers to a retired state employee:**

5 (1) whose retirement date is after June 30, 2006, and before  
6 July 1, 2012;

7 (2) who is eligible for normal retirement under a public  
8 pension fund because, on the date of retirement:

9 (A) the retired state employee's age in years plus the  
10 retired state employee's years of service is equal to at least  
11 eighty-five (85); and

12 (B) the retired state employee is at least fifty-five (55) years  
13 of age;

14 (3) who is not eligible on the date of retirement for Medicare  
15 coverage as prescribed by 42 U.S.C. 1395 et seq.; and

16 (4) who is not an officer or agent eligible to participate in a  
17 plan under section 6 of this chapter.

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(b) The state shall provide to a retired state employee a group health insurance program equal to the group health insurance program offered to active state employees, except that the plan offered under this subsection covers only the:

- (1) retired state employee; and
- (2) spouse of the retired state employee.

However, the plan offered under this subsection does not cover the spouse of a retired state employee for any period that the spouse is eligible for health care benefits from the spouse's employer or from Medicare.

(c) A retired state employee and, subject to subsection (b), the retired state employee's spouse may participate in the group health insurance program under subsection (b) if the retired state employee:

- (1) pays an amount equal to one hundred fifty percent (150%) of the employee's premium for the group health insurance for an active state employee; and
- (2) within ninety (90) days after the employee's retirement date files a written request for group health insurance coverage with the state employer.

(d) A retired state employee's eligibility to continue group health insurance coverage under this section ends when the:

- (1) retired state employee becomes eligible for Medicare as prescribed by 42 U.S.C. 1395 et seq.; or
- (2) state employer terminates the group health insurance program.

(e) Subject to subsection (b), eligibility of a retired state employee's spouse to continue group health insurance coverage under this section is unaffected by the retired state employee's death if the spouse pays the amount the retired state employee would have been required to pay for the spouse's group health insurance coverage under this section. The surviving spouse's eligibility ends on the earliest of the following:

- (1) When the surviving spouse becomes eligible for Medicare as prescribed by 42 U.S.C. 1395 et seq.
- (2) When the state employer terminates the group health insurance program.
- (3) Two (2) years after the date of the retired state employee's death.
- (4) The date of the surviving spouse's remarriage.

SECTION 2. IC 5-10.3-8-14, AS ADDED BY P.L.220-2005, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

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JULY 1, 2006]: Sec. 14. (a) This section applies to employees of the state (as defined in IC 5-10.3-7-1(d)) who are members of the fund.

(b) The board shall adopt provisions to establish a retirement medical benefits account within the fund under Section 401(h) or as a separate fund under another applicable section of the Internal Revenue Code for the purpose of converting unused excess accrued leave to a monetary contribution for an employee of the state to fund on a pretax basis benefits for sickness, accident, hospitalization, and medical expenses for the employee and the spouse and dependents of the employee after the employee's retirement.

(c) The board is the trustee of the account described in subsection (b). The account must be qualified, as determined by the Internal Revenue Service, as a separate account within the fund whose benefits are subordinate to the retirement benefits provided by the fund.

(d) The board may adopt rules under IC 5-10.3-3-8 that it considers appropriate or necessary to implement this section after consulting with the state personnel department. The rules adopted by the board under this section must:

(1) be consistent with the federal and state law that applies to:

(A) the account described in subsection (b); and

(B) the fund; and

(2) include provisions concerning:

(A) the type and amount of leave that may be converted to a monetary contribution;

(B) the conversion formula for valuing any leave that is converted;

(C) the manner of employee selection of leave conversion; and

(D) the vesting schedule for any leave that is converted.

(e) The board may adopt the following:

(1) Account provisions governing:

(A) the investment of amounts in the account; and

(B) the accounting for converted leave.

(2) Any other provisions that are necessary or appropriate for operation of the account.

(f) The account described in subsection (b) may be implemented only if the board has received from the Internal Revenue Service any rulings or determination letters that the board considers necessary or appropriate.

(g) To the extent allowed by:

(1) the Internal Revenue Code; and

(2) rules adopted by:

(A) the board under this section; and

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1 (B) the state personnel department under IC 5-10-1.1-7.5;  
2 employees of the state may convert unused excess accrued leave to a  
3 monetary contribution under this section and under IC 5-10-1.1-7.5.

4 (h) To the extent allowed by federal law, the state may establish  
5 a program under which the state or state employees may make  
6 additional monetary contributions to an account established under  
7 subsection (b) or another health care account established to pay  
8 insurance premiums or health care costs.

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## SENATE MOTION

Madam President: I move that Senator Hume be added as second author of Senate Bill 365.

KENLEY

## SENATE MOTION

Madam President: I move that Senators Simpson and Craycraft be added as coauthors of Senate Bill 365.

KENLEY

## COMMITTEE REPORT

Madam President: The Senate Committee on Appropriations, to which was referred Senate Bill No. 365, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, delete lines 1 through 14.

Page 2, line 2, after "2006" insert ", and before July 1, 2012".

Page 2, line 9, delete "and".

Page 2, line 11, after "seq." insert "; and".

Page 2, between lines 11 and 12, begin a new line block indented and insert:

**"(4) who is not an officer or agent eligible to participate in a plan under section 6 of this chapter."**

Page 2, line 14, delete "." and insert ", except that the plan offered under this subsection covers only the:

**(1) retired state employee; and**

**(2) spouse of the retired state employee.**

**However, the plan offered under this subsection does not cover the spouse of a retired state employee for any period that the spouse is eligible for health care benefits from the spouse's employer or from Medicare."**

Page 2, line 15, after "and" insert ", subject to subsection (b),".

Page 2, line 18, after "to" insert **"one hundred fifty percent (150%) of"**.

Page 2, delete lines 23 through 25.

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Page 2, line 26, delete "Except as provided in subsection (f), a" and insert "A".

Page 2, line 33, delete "Eligibility" and insert "**Subject to subsection (b), eligibility**".

Page 2, line 39, delete "Except as provided in subsection (f), when" and insert "**When**".

Page 3, delete lines 5 through 15.

Page 4, line 21, after "law," insert "**the state may establish a program under which**".

Page 4, line 21, after "state" insert "**or state employees**".

Page 4, line 23, delete "employee" and insert "**health care**".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 365 as introduced.)

MEEKS, Chairperson

Committee Vote: Yeas 8, Nays 0.

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